

Message Text

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15

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SUBJ: JOINT VENTURES DANA INTERNATIONAL

REF BELGRADE A-133 (5 MARCH 1973)

SUMMARY: DANA INTERNATIONAL, TOLEDO, OHIO, MAJOR U.S. MANUFACTURER OF AUTOMOTIVE PARTS, HAS MADE SEVERAL RECENT VISITS TO YUGOSLAVIA IN PURSUIT OF FOUR POSSIBLE JOINT VENTURES WITH YUGOSLAV ENTERPRISES. ALTHOUGH ALL PROPOSALS IN NEGOTIATION STAGE, IT IS PROBABLE THAT AT LEAST ONE JOINT VENTURE WILL BE SIGNED IN COMING MONTHS. DANA IS LIKELY TO SEEK OPIC INSURANCE. IF PROPOSALS MATERIALIZE, THEY REPRESENT LARGEST U.S. JOINT VENTURE INVESTMENT TO DATE. END SUMMARY.

1. MR. MELVIN B. ESTEY, VICE PRESIDENT AND EUROPEAN AREA DIRECTOR OF DANA IN PARIS, INFORMED EMBASSY OF STATUS NEGOTIATIONS ON SEVERAL JOINT VENTURES FOR PRODUCTION OF AUTOMOTIVE PARTS. DANA HAS DEALT PRIMARILY WITH CRVENA ZASTAVA, LARGE YUGOSLAV MANUFACTURER OF FIATS. NEGOTIATIONS ARE DIRECT, LIMITED OFFICIAL USE

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WITH NO INTERMEDIARY AGENT. DANA IS ABOUT TO SIGN "UNDERSTANDING

OF INTENT" AGREEMENT WITH CRVENA ZASTAVA FOR JOINT VENTURE COOPERATION. THIS IS UNIQUE STEP WHICH, ACCORDING TO ESTEY, HAS EFFECT OF INSURING THAT BOTH PARTIES WILL ENTER INTO VENTURES JOINTLY, AND WILL NOT CONCLUDE OTHER AGREEMENTS THAT WOULD BE DAMAGING TO INTERESTS OF EITHER PARTY. ESTEY ACKNOWLEDGED THAT THIS WAS PROTOCOL STEP, BUT SHOWED EXTENT OF GOOD RELATIONS WITH CRVENA ZASTAVA.

2. ESTEY SAID THE FOLLOWING VENTURES ARE BEING CONSIDERED:

A. MANUFACTURE OF GASKETS: THIS IS PROPOSAL FOR THREE-WAY JOINT VENTURE WITH CRVENA ZASTAVA AND DONIT, A CHEMICAL INTERPRISE LOCATED AT MEDVODE, SLOVENIA. DANA IS TO PROVIDE EQUIPMENT, TECHNOLOGY, AND CAPITAL, DONIT TO SUPPLY ASBESTOS AND RUBBER RAW MATERIALS, AND CRVENA ZASTAVA TO BE END-USER. DANA IS CONSIDERING 30 TO 40 PERCENT EQUITY, WITH INVESTMENT OF \$1.5 TO \$2.5-MILLION. PROJECT ENVISIONS \$5-MILLION ANNUAL SALES WITH GOOD EXPORT POTENTIAL. CONTRACT EXPECTED TO BE SIGNED WITHIN SIX MONTHS.

B. HEAVY DUTY AXLES: DANA IS ANXIOUS TO CONCLUDE JOINT VENTURE WITH CRVENA ZASTAVA FOR MANUFACTURE OF HEAVY DUTY AXLES. THIS IS LARGE PROJECT WHICH HAS BEEN NEGOTIATED FOR SEVERAL YEARS. KEY ELEMENT IS EXPORT TO USSR MINSK TRUCK FACTORY OF 40,000 UNITS PER YEAR. EXPORT POTENTIAL TO EUROPE ALSO GOOD, IN ESTEY'S OPINION. HE SAID THAT NEGOTIATIONS ARE STALLED ON SOVIET ACCEPTANCE OF PROPOSAL. SOVIETS HAVE NOT AGREED TO DESIGN FEATURES OF AXLES. AS SOON AS THIS PROBLEM IS OVERCOME, HE THINKS THEY CAN MOVE FORWARD ON THE PROPOSAL. DANA INVESTMENT, TO INCLUDE EQUIPMENT AND TECHNOLOGY, WOULD BE 40-45 PERCENT OF A TOTAL INVESTMENT OF \$10-15-MILLION.

C. INITIAL NEGOTIATIONS ARE UNDERWAY WITH CRVENA ZASTAVA AND SOKO, MOSTAR, BOSNIA-HERCEGOVINA, FOR THREE-WAY JOINT VENTURE FOR MANUFACTURE OF PROPELLER SHAFTS AND DRIVE AND UNIVERSAL JOINTS FOR HEAVEY DUTY VEHICLES. THIS WOULD BE \$3-5-MILLION VENTURE.

D. NEGOTIATIONS ARE UNDERWAY THREE MONTHS FOR JOINT VENTURE WITH CRVENA ZASTAVA FOR PRODUCTION OF PISTON KITS (RINGS, PINS, LIMITED OFFICIAL USE

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AND CYLINDER SLEEVES). ESTEY SAYS THERE IS BIG NEED IN YUGOSLAVIA FOR TECHNOLOGY AND INVESTMENT IN THIS AREA. TOTAL INVESTMENTS FOR EQUIPMENT WOULD AMOUNT TO ABOUT \$10-MILLION. DANA, THROUGH CRVENA ZASTAVA, IS NEGOTIATING WITH PETAR DRAPSIN, MLADENOVAC, SERBIA AND 27 MART, NOVI SAD WHO WOULD PRODUCE PISTON KITS. EXPORT POTENTIAL AGAIN SEEN AS STRONG.
TOON

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